

## Message

**From:** Justin Mattson [REDACTED]@google.com]  
**Sent:** 12/17/2009 10:29:17 PM  
**To:** Dan Morrill [REDACTED]@google.com]; Eric Chu [REDACTED]@google.com  
**CC:** Android Advocates [REDACTED]@google.com]; Jean-Baptiste Queru [REDACTED]@google.com]; Arun Balamann [REDACTED]@google.com]; android-market-conops@google.com; Inderjeet Singh [REDACTED]@google.com]; android-vendingmachine-dev [REDACTED]@google.com]; android-vendingmachine [REDACTED]@google.com]; android-market-policy [REDACTED]@google.com]; Carolyn Penner [REDACTED]@google.com]  
**Subject:** Re: [android-advocates] Re: [android-vendingmachine] Re: Change in default revenue share

As I was trying to dis-spell (yet again) a developer's myth that Google gets 30% of every transaction on Market this topic rose into my mind again as being unresolved.

What I see as currently unanswered about this change

- Exact articulation of under what circumstances transactions \*we\* now solely take 30%
- A rationale for this change
- An approximation of what % of transactions we take this larger cut

(You can stop reading now if you like, the rest will just expand on the bullets)

In terms of developer marketing its great to say "We don't make money off of you, we cover our costs and keep the rest." We have previously said that we don't make money from Market, we are now lying. Let me repeat that, we are now lying to our developers by not making this change public (for 6 months now!).

I don't have any idea how much money we think this will make for us, but it will cost us a lot of good will. Further, if Android is here to increase phone usage and thus web usage and thus drive ad revenue, we need to give developers every penny we reasonably can.

If we can say this only happens on 1% of transactions and the result is it helps us cover our operating costs that are not transaction fees, this still sounds good to developers. What I am confused to hear that we take 30% if a user who bought a GSM phone from a rev-share carrier, then buys a new unlocked device and puts the SIM from the old phone in it, basically if its not the original IMEI-SIM pair, we get the cut. Do we get the whole cut if the new, unlocked phone is from the same carrier as the previous? With Passion we are apparently keeping 30% on all transactions, I can't imagine transaction processing costs us that much. Why don't we take this opportunity to let developers keep more revenue?

I don't know why this change has been made and there is deafening silence from those who know. The only reasoning I can come up with makes no sense, which is even worse than reasoning I disagree with.

Thanks,  
Justin

On Fri, Jul 17, 2009 at 3:50 PM, Dan Morrill [REDACTED]@google.com> wrote:  
[+carolynp, per request :) Popular thread.]

On Fri, Jul 17, 2009 at 4:43 PM, Dan Morrill [REDACTED]@google.com> wrote:  
[+android-market-policy for good measure]

On Fri, Jul 17, 2009 at 4:40 PM, Dan Morrill [REDACTED]@google.com> wrote:

**EXHIBIT 304**

[bcc: android-market-announce, +android-advocates for discussion]

Well, I think we need to hold up for a moment. We've never said we don't take a cut of the transaction. We've said that we don't make a profit on Market, which is a very different thing. The current phrasing we use is that "30% goes to revenue share and operational costs". This is not a wholesale change, this a change for what is currently a small number of devices.

That said, to Justin's point this is most definitely the sort of thing that needs a blast email sent out to Market developers. If we don't even notify developers of an actual material change in financial behavior, I can't support sending out additional emails talking about new countries and such. What's the plan for communicating this to developers?

I'd also like to understand more about why this change was made. Sales volume through Market right now is so low that I am skeptical that the extra 25% even matters. I agree with Justin and Reto that this is a perceptually large change for a small monetary benefit.

- Dan

On Fri, Jul 17, 2009 at 4:31 PM, Justin Mattson <[REDACTED]@google.com> wrote:

Sorry, and I should have added, there's nothing wrong with us taking a share of "open market" transactions, other than it is in explicit opposition to something we've stated, and proudly stated, in the past. If we change our policies we should proactively communicate them. This will become known eventually, that we can not control, the only thing we can control is the timing and tone of its discovery.

Justin

On Fri, Jul 17, 2009 at 4:29 PM, Justin Mattson <[REDACTED]@google.com> wrote:

If we'd like to take the actual cost of the transaction, fine, is the transaction cost 30%?

If we'd like to break with what we'd previously said, "Google makes no money on Market transactions, in fact we lose money," fine.

If we'd like to start saying "Google makes no money on Market transactions where we have a revenue share agreement in place with the carrier, and typically loses money, but we make money on transactions where there is no revenue share agreement," fine.

Either of these will have fall out, I would wager considerable, but the worse fallout is when we appear to be disingenuous through omission. If we lose the trust of the developer community, it will be exceedingly difficult to get it back.

Justin

On Fri, Jul 17, 2009 at 4:21 PM, Eric Chu <[REDACTED]@google.com> wrote:

Guys,

We're actually losing money for most if not all transactions that include revenue share. What's the issue with us taking the small number of "open market" transaction to minimize our overall lost?

Eric

Justin Mattson wrote:

Not to mention this only reduces market (the economic kind) efficiency by masking the cut the carriers are taking. Developers should seek to do business with the cheapest carriers, all other things equal, and we're not letting them. Its not clear how developers can do business in this instance with one carrier and not the other, but we should at least not dull the price signals in the market.

Justin

On Fri, Jul 17, 2009 at 3:58 PM, Jean-Baptiste Queru <[REDACTED]@google.com> wrote:

As an outside developer, I'd mostly think "evil". It's hard to justify the storyline that we're trying to change the mobile industry if the reality is that the mobile industry is changing us.

I hope that Google is ready to defend that new position in public as things could get ugly once people find out.

JBQ

On Fri, Jul 17, 2009 at 3:42 PM, Kevin Du<[REDACTED]@google.com> wrote:

> As Mark pointed out, please note that this change only applies to cases  
> where there is no rev share with the carrier - so we cannot "pressure  
> carriers to reduce the cut" as they take none already :-)  
>  
> My personal opinion is that this actually sends a better message to the  
> developers - you always get 70% no matter what is the deal Google has with  
> the carrier.  
>  
> -Kevin

> On Fri, Jul 17, 2009 at 11:03 AM, Justin Mattson <[REDACTED]@google.com> wrote:

>>  
>> I second Reto's concern.  
>>  
>> Justin

>> On Thu, Jul 16, 2009 at 12:51 PM, Reto Meier <[REDACTED]@google.com> wrote:

>>>  
>>> I was wondering why we made this change? I'm worried that I can no longer  
>>> say 'Google doesn't take a cut, we just cover our transaction costs'. Why  
>>> not give developers more and pressure carriers to reduce the cut?

>>>  
>>> Cheers

>>> Reto

>>>  
>>> Sent from my Android phone

>>> On Jul 16, 2009 7:18 PM, "Mark Womack" <[REDACTED]@google.com> wrote:

>>>  
>>> As requested (re Eric Chu), we have changed the default developer revenue



>>> share from 95% to 70%. This is live in production now. This will only  
>>> affect future transactions (existing transactions are still 95%) and it only  
>>> affects transactions where we do not have a revenue sharing agreement with  
>>> the carrier. Developers will now consistently see 70% payout to them for  
>>> all of the their transactions (they actually see a 30% "transaction fee" in  
>>> Checkout).

>>>

>>> The change on our side is that instead of 5% being put into the "default"  
>>> Google account, we now have 30% being placed there. No carrier is getting  
>>> any percentage cut of these types of transaction.

>>>

>>> Transactions where we have an existing revenue sharing agreement with the  
>>> carrier (ie TMO, TMI, Vodafone) are NOT affected.

>>>

>>> If you have any questions or concerns, let us know.

>>> -Mark

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> Kevin Du

> Android Eng Project Manager

> m: [REDACTED] o: [REDACTED]

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Jean-Baptiste M. "JBQ" Queru  
Software Engineer, Android Open-Source Project, Google.